



JOHN NAIMO
ACTING AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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July 8, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: John Naimo
Acting Auditor-Controller

A handwritten signature in black ink, reading "John Naimo", is written over the printed name and title.

SUBJECT: **LOS ANGELES COUNTY FAIR ASSOCIATION GROUND LEASE AND
OPERATING AGREEMENT REVIEW FOR THE PERIOD OF JANUARY
1, 2007 TO DECEMBER 31, 2011**

In 1988, the County of Los Angeles (County) entered into a Ground Lease and Operating Agreement (Agreement) with the Los Angeles County Fair Association (Association) for the Association to use and develop the County Fairgrounds (Fairgrounds). The Agreement requires the Association to pay rent to the County based on the Association's gross revenues from the use of the Fairgrounds.

At the Chief Executive Office's (CEO) request, we contracted with an independent Certified Public Accounting firm, Vasquez & Company LLP (Vasquez), to review the rent paid to the County by the Association for lease years (calendar years) 2007 through 2011.

Review Summary

Vasquez reported that the Association overpaid the County a total of \$11,183. This amount was the net result of the following over and under payments:

- The Association overpaid \$10,575 and \$9,126 for lease years 2008 and 2011, respectively. The overpayments were due to the Association failing to exclude a transient occupancy tax rebate from revenues, and mistakenly classifying grandstand concert revenues under non-fair events instead of fair events.

- The Association underpaid a total of \$8,518 during lease years 2007 through 2011 due to the Association excluding sponsorship revenues during non-fair events.

Review of Report

Vasquez discussed the attached report with the Association. The CEO and Association management indicated they agreed with the findings. The CEO has agreed to refund the \$11,183 overpayment to the Association.

Please call me if you have any questions, or your staff may contact Robert Smythe at (213) 253-0101.

JN:AB:RS:MP

Attachment

c: William T Fujioka, Chief Executive Officer
James E. Henwood, President, Los Angeles County Fair Association
Michael D. Seder, Vice President and CFO, Los Angeles County Fair Association
Karen Furlow, Controller, Los Angeles County Fair Association
Public Information Office
Audit Committee

County of Los Angeles

**Los Angeles County Fair Association
Ground Lease and Operating Agreement
Agreed-upon Procedures Report
*For the period January 1, 2007 to December 31, 2011***

**Los Angeles County Fair Association
Ground Lease and Operating Agreement
Agreed-upon Procedures Report
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

John Naimo
Acting Auditor-Controller
County of Los Angeles
Los Angeles, California

We have performed the procedures enumerated below, which were agreed to by the County of Los Angeles (County), solely to assist the County in evaluating the accuracy of the rental payments made by the Los Angeles County Fair Association (Association) to the County under its Ground Lease and Operating Agreement and Amendments for the period of January 1, 2007 to December 31, 2011. The rent owed to the County is calculated by using gross revenues derived from the use of the property and received by the Association during the lease year. To determine the annual rent owed, the Association prepares a Lease Calculation Schedule which summarizes the gross revenues received during the lease year, and calculates the lease amount, in accordance with the Agreement.

This agreed upon-procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties to this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results were as follows:

COUNTY LEASE CALCULATION

Procedures

1. Obtain a copy of the most recent Ground Lease and Operating Agreement (Agreement), dated January 20, 1988, the First Amendment, dated January 28, 2000, the Second Amendment, dated September 30, 2003, the Third Amendment, dated May 13, 2008, and a letter of understanding of gross rent, dated September 11, 2006, between the County and the Association. Read the agreement and the amendments to gain an understanding of the revenue categories to be included and excluded in gross revenues for the calculation of rent. In accordance with the Agreement, the Association segregates Fair Revenues from Interim (non-fair) Revenues. The Agreement and Amendments state that the annual lease payment is to be calculated based on 1.5% of Fair Revenues and 3.5% of Interim Revenues for lease year 2007 and 5% of Interim Revenues for lease years 2008-2011. Obtain an understanding of the methodology used in classifying Fair Revenues versus Interim Revenues on the Lease Calculation Schedule.

Obtain a copy of the Lease Calculation Schedules for lease years 2007-2011 that were prepared by the Association and submitted to the County. Recalculate the mathematical computation of the rent payment for each revenue type. Compare the lease payment rates with the corresponding rates indicated in the Ground Lease and Operating Agreement. Obtain an explanation from the Association for any variance.

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Results

Procedures performed with exceptions noted. The Association underpaid a total of \$8,518 during lease years 2007 through 2011. However, for lease years 2008 and 2011, the Association overpaid \$10,575 and \$9,126, respectively. This resulted in a net overpayment of \$11,183 to the County (refer to finding under Procedure 9 below and the Summary of Findings on Page 11).

- The Lease Calculation Schedule provided by the Association excluded sponsorship revenues during non-fair events. Under paragraph 3.07.a of the Ground Lease and Operating Agreement, revenues not subject to lease are “only moneys or grants from governmental agencies given to Fair Association for specific purposes, taxes for the benefit of a governmental body collected by Fair Association and advertising and promotional considerations received in connection with the operation of the Fair”. As a result, there is a lease underpayment totaling \$8,518 (refer to finding under Procedure 5 below).
- The Association failed to exclude, from the 2008 administration revenues, the transient occupancy tax rebate of \$211,498 received from the City of Pomona, which resulted in a \$10,575 lease overpayment to the County.
- The Association mistakenly classified \$260,739 of grandstand concert revenues in 2011 under non-fair events instead of fair events, which resulted in a \$9,126 lease overpayment to the County.

The lease rates used in the lease calculation matched with the agreed lease rates in the Ground Lease and Operating Agreement. See Schedule I to Schedule V for Lease Calculation Schedule for each of the lease years 2007 to 2011.

Procedures

2. Obtain a copy of the Association's trial balance for lease years 2007-2011 for all revenue accounts. Compare each revenue amount reported in the trial balance to the corresponding revenue on the Lease Calculation Schedule. Obtain explanation from the Association for any variance.

Results

Procedures performed with no exceptions noted.

Procedures

3. Obtain the Association's Annual Reports for lease years 2007-2011 and compare total revenues per the audited financial statements included in the Annual Reports to the gross revenues on the Lease Calculation Schedule. Obtain explanation from the Association for any variance.

Results

Procedures performed with no exceptions noted. Variances between revenues reported in the Lease Calculation Schedule and those reported in the Association's audited financial statements were due to elimination of intercompany transactions and other Association revenues not subject to the County lease. See Schedule VI for an accounting of the revenue differences.

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4. For gross revenue categories of more than \$2 million per lease year, perform specific tests to ascertain whether selected revenue entries were in agreement with the appropriate supporting documentation and properly recorded in the accounting records.

Procedures

- A. Admissions - Obtain the 2007-2011 Admissions, Parking and Carnival Revenue Report (Revenue Report), which summarizes revenues for the entire County Fair period. Compare the summary revenue report to the daily Revenue Reports. In addition, compare the totals from the Revenue Reports to the trial balance.

Select four (two fair and two non-fair) days in each of the lease years 2007-2011 from the daily Revenue Reports. Obtain the corresponding Admission summary reports and compare the actual cash receipts in the Admission summary report to the amount reported on the daily Revenue Reports and general ledger. Determine if revenue is correctly classified by inspecting the date of each receipt and name of event. Obtain explanation for any difference.

Results

Procedures performed with no exceptions noted.

Procedures

- B. Food and Beverage Sales - Select four (two fair and two non-fair) individually significant cash receipts for each of the lease years 2007-2011 posted to the general ledger detail report. Obtain details for the cash remittance and recalculate the rent payment. Compare lease payment rate used with the signed concession agreement. Determine if revenue is correctly classified by inspecting the date of each receipt and name of event. Obtain explanation for any difference.

Results

Procedures performed with no exceptions noted.

Procedures

- C. Parking - Select four (two fair and two non-fair) significant parking attendant revenue remittances in each of the lease years 2007-2011 from the Parking Salesman's Daily Reports and compare with the daily Revenue Reports. Agree Daily Report to the amounts reported in the Parking Summary Report and general ledger. Determine if revenue is correctly classified by inspecting the date of each receipt and name of event. Obtain explanation for any difference.

Results

Procedures performed with no exceptions noted.

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Procedures

- D. Carnival - Select four (two fair and two non-fair or four fair if no non-fair Carnival revenues) days in each of the lease years 2007-2011 from the daily Revenue Reports. Obtain the corresponding Carnival summary reports and compare the actual cash receipts in the Carnival summary report to the amount reported on the daily Revenue Reports and general ledger. Determine if revenue is correctly classified by inspecting the date of each receipt and name of event. Obtain explanation for any difference.

Results

Procedures performed with no exceptions noted.

Procedures

- E. Retail Sales - Select four (two fair and two non-fair) individually significant cash receipts for each of the lease years 2007-2011 shown on the daily Revenue Reports. Obtain details for the commercial sales remittances and agree with the daily retail sales report and general ledger. Recalculate the rent payment and compare payment rate used with the signed concession agreement. Determine if revenue is correctly classified by inspecting the date of each receipt and name of event. Obtain explanation for any difference.

Results

Procedures performed with no exceptions noted.

Procedures

- F. Pari-Mutuel Revenues - Select four (two fair and two non-fair) days in each of the lease years 2007-2011 shown on the daily Revenue Reports. Compare these revenue amounts with the corresponding sales reports generated from the wagering system. Agree the total daily Revenue Reports to the amount posted in the general ledger detail report. Determine if revenue is correctly classified by inspecting the date of each receipt and name of event. Obtain explanation for any difference.

Results

Procedures performed with no exceptions noted.

Procedures

- G. Sponsorship Revenues - Select four (two fair and two non-fair) individually significant cash receipts for each of the lease years 2007-2011 shown on the daily Revenue Reports. Obtain details for the cash remittances and agree with the signed sponsorship agreements and general ledger. Determine if revenue is correctly classified by inspecting the date of each receipt and name of event. Obtain explanation for any difference.

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Results

Procedures performed with exceptions noted. In 2005, the Association entered into a 2006-2008 Los Angeles County Fair Sponsorship Agreement with the Southern California Toyota Dealers Association ("Toyota") for a total sponsorship amount of \$892,500. In 2008, the Association and Toyota entered into the same agreement for the 2009-2011 Los Angeles County Fair for a total sponsorship amount of \$975,000. The entire amount was classified as sponsorship revenues under the fair events. One of the provisions of the agreement was that the Association will provide Toyota with permanent signage units at the Fairplex premises during year-round events and for the term of the agreement. This provision means that the agreement included sponsorship during non-fair events. Considering that sponsorship revenues during fair events are excluded from the lease calculation, the Association should assign an acceptable value for the permanent signage advertising revenue and calculate the corresponding lease payment to the County based on the non-fair lease rate (refer to Procedures 13-15 for additional procedures performed to address this issue).

Procedures

- H. Horse Training - Select two non-fair individually significant cash receipts for each of the lease years 2007-2011 shown on the daily Revenue Reports. Obtain details for the cash remittances, agree amount posted to the general ledger and recalculate payment based on the provisions of the signed agreements. Obtain explanation for any difference.

Results

Procedures performed with no exceptions noted.

Procedures

- I. Rental Facilities - Select two non-fair individually significant cash receipts for each of the lease years 2007-2011 shown on the daily Revenue Reports. Obtain details for the cash remittances and agree with the signed lease agreements and general ledger. Determine if revenue is correctly classified by inspecting the date of each receipt and the signed lease agreements. Obtain explanation for any difference.

(NOTE: Should there be other revenues exceeding the \$2 million threshold in a particular lease year, perform similar sample test as above.)

Results

Procedures performed with exceptions noted. The Association was not able to provide sufficient supporting documents for four out of the 10 samples selected. Specifically, the Association misplaced documents for the 2007 and 2008 lease years and as of the completion of the procedures had not located the misplaced documents. For the remaining six samples we tested, no exceptions were noted.

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Procedures

5. For excluded revenues identified on the Lease Calculation Schedule, agree the excluded revenues with the trial balance. Compare excluded revenues with the list of allowable revenue exclusions stated in the Ground Lease and Operating Agreement and letter of understanding dated September 11, 2006.

Results

Procedures performed with an exception noted. The Association did not include sponsorship revenues earned during non-fair events in the lease calculation totaling \$180,905 (see table below), which resulted in an \$8,518 lease underpayment to the County (refer to finding under Procedure 1 above and Summary of Findings on Page 11). See calculation below.

| | Excluded Sponsorship Revenues | Applicable Lease Rate | Additional Lease Due County |
|------|-------------------------------------|-----------------------------|-----------------------------------|
| 2007 | \$ 35,195 | 3.50% | \$ 1,232 |
| 2008 | 35,987 | 5.00% | 1,799 |
| 2009 | 33,609 | 5.00% | 1,681 |
| 2010 | 37,521 | 5.00% | 1,876 |
| 2011 | 38,592 | 5.00% | 1,930 |
| | <u>\$ 180,905</u> | | <u>\$ 8,518</u> |

Procedures

6. Scan the trial balance for lease years 2007-2011 for any recorded Customer Deposits and/or Unearned Revenue accounts. Obtain detail schedule of Customer Deposits and/or Unearned Revenue accounts as of the end of each calendar years 2007-2011. Select five significant amounts for each lease year and determine if they pertain to monies received in advance for future events by inspecting the corresponding signed agreements.

Results

Procedures performed with no exceptions noted.

Procedures

7. Compare current year revenues (fair and non-fair) to prior year revenues for the lease years 2007-2011 to determine whether revenues were applied in a manner consistent with the prior year. If fluctuations between the two years are greater than \$100,000 and 15%, obtain explanation from the Association as to the cause of the fluctuations.

Results

Procedures performed with no exceptions noted. See Schedule VII for explanation of significant fluctuations.

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Procedures

8. If the tests above reveal that an additional amount is owed to the County, determine whether the amount owed to the County exceeds 5% of the total amount that should have been paid to the County. Article 14.13c, paragraph 2 of the lease agreement states that "if the additional amount due exceeds 5% of the total amount that should have been paid as determined by such audit, and there is no reasonable basis for the failure to report and pay thereon, Fair Association shall also pay the cost of the audit."

Results

Procedures performed with no exceptions noted. Additional amount due to the County did not exceed 5% of the total amount that should have been paid to the County.

REMITTANCE OF RENT TO COUNTY

Procedures

9. Obtain a copy of the checks issued to the County during the lease years 2007-2011. Compare rent payable to the County for each of the lease years 2007-2011 with the amount of checks submitted to the County.

Results

Procedures performed with exceptions noted. As noted in Procedure 1 above, checks issued to the County during each of the lease years 2007-2011 did not agree with the revised rent payable to the County. Refer to Summary of Findings on Page 11 and Schedule I to Schedule V and Schedule VIII for additional information.

Procedures

10. Under Article 3, Section 3.01 and 3.06 of the Agreement, the Association is required to remit the rent check on or before May 1. Inspect documents showing the dates the checks were issued and submitted to the County, and document any payments after the due date.

Results

Procedures performed with no exceptions noted. All payments to the County during the lease years 2007-2011 were remitted to the County either on or before its due date.

SECOND AMENDMENT

Procedure

11. Pursuant to the lease agreement, portions of the property, while not being used by the Association, may be used by the Los Angeles County Sheriff (Sheriff) for departmental training purposes. In accordance with the Second Amendment, the Sheriff may direct the Association, on an annual basis, to perform maintenance and repair work that does not exceed \$55,000 in aggregate, unless approved by the Board of Supervisors.

Inquire with the Association in regard to the amount of funds received from the Sheriff for maintenance and repair work performed as a result of the Second Amendment.

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Results

Procedure performed with no exceptions noted. According to the Association, during the lease years 2007-2011, the Sheriff did not remit to the Association any amount for repair and maintenance work.

THIRD AMENDMENT

Procedures

12. In accordance with the Third Amendment to Ground Lease and Operating Agreement dated May 13, 2008, the County and Association agreed to amend the lease agreement to provide for the construction of a Trade and Conference Center (Center) on the property, which would serve the educational, social, and community interests of the County and Association. The County further agreed to credit to the Association a portion of the annual rent paid to the County to support an approximately \$8.0 million share of the anticipated \$28.7 million in construction costs starting on lease year 2008 for a period of 15 years in the annual amount of \$800,000.

Obtain a copy of the Certificate of Occupancy for the Center. Inspect the date of completion and determine if the construction of the Center was completed within five years from the effective date of the agreement.

Results

Procedures performed with no exceptions noted. As agreed, the Association credited \$800,000 from its lease payment to the County starting in 2008. The Association received a Certificate of Occupancy from the City of Pomona dated January 31, 2012 for the Fairplex Trade and Conference Center.

YEAR-ROUND TOYOTA PERMANENT SIGNAGE UNITS

Procedures

13. Obtain from the Association a Lease Calculation Schedule (Schedule) for the additional rent on the year-round Toyota permanent signage units for the lease years 2007-2011. Agree lease rate used in the Schedule with documents used as basis for the agreed lease rate.

Results

Procedures performed with no exceptions noted. Based on industry standards, the estimated advertising revenue from the Toyota permanent signage units was valued based on the estimated impressions and location of the units at a range of \$10 - \$20 cost per thousand (CPT) impressions. The CPT rate was provided by the Association's advertising agency.

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Procedure

14. Agree the attendance numbers in the Schedule with the attendance reports provided by the Association.

Results

Procedure performed with no exceptions noted. The estimated number of viewers was calculated based on the number of parked cars generated by the parking system and estimated number of passengers per car as observed by the Association's internal auditors. The events that were included in the calculation depend on the location of the events whereby attendees will have an opportunity to look at the signage units.

Procedure

15. Re-calculate the additional rent on the Toyota signage for the lease years 2007-2011.

Results

Procedure performed with no exceptions noted. The Association agreed to pay an additional \$996 rent on the Toyota permanent signage units. Refer to Schedule VIII.

SUMMARY OF FINDINGS

Listed below is the summary of the findings:

- a) Under Procedures 1, 4(G), 5 and 15, the Association made a net overpayment of \$11,183 to the County during the lease years 2007-2011 as shown below.

| | 2007 | 2008 | 2009 | 2010 | 2011 | Total |
|--|-------------|-------------|------------|------------|------------|-------------|
| Original lease payable per Association | \$1,003,211 | \$1,201,648 | \$ 998,898 | \$ 937,796 | \$ 869,057 | \$5,010,610 |
| Add (deduct) adjustments: | | | | | | |
| Revenues subject to lease: | | | | | | |
| Sponsorship revenues during non-fair events | 1,232 | 1,799 | 1,681 | 1,876 | 1,930 | 8,518 |
| Revenues not subject to lease: | | | | | | |
| Transient occupancy tax rebate from City of Pomona | - | (10,575) | - | - | - | (10,575) |
| Error in classification of revenues | - | - | - | - | (9,126) | (9,126) |
| Adjusted lease payable | 1,004,443 | 1,192,872 | 1,000,579 | 939,672 | 861,861 | 4,999,427 |
| Less: | | | | | | |
| Rent credit | - | (800,000) | (800,000) | (800,000) | (800,000) | (3,200,000) |
| Check payment made by the Association | (1,003,211) | (401,648) | (198,898) | (137,796) | (69,057) | (1,810,610) |
| Under (over) payment | \$ 1,232 | \$ (8,776) | \$ 1,681 | \$ 1,876 | \$ (7,196) | \$ (11,183) |

- b) Under Procedures 4(G) and 15, revenues from the sponsorship agreement with Toyota were all classified under Fair Revenues although Toyota has permanent signage units at the Fairplex premises during the term of the agreement. The Association recently provided estimated advertising revenue for these permanent signage units and calculated the lease payment to the County based on the non-fair lease rate resulting to additional total rent of \$996.

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- c) Under Procedure 4(I), the Association was not able to provide supporting documents to four of the 10 samples we selected for testing. These documents from the 2007 and 2008 lease years had been misplaced and as of the completion of the procedures had not been located. We did not find any exception on the six samples that we tested.
- d) Under Procedure 5, the Association did not include sponsorship revenues earned during non-fair events in the lease calculation totaling \$180,905 and an underpayment of rent to the County by \$8,518 (this amount includes the additional rent from the Toyota permanent signage units). This underpayment of \$8,518 is considered in the recalculation of the lease payable shown under finding (a) above.
- e) Under Procedure 9, rent payable to the County did not match the amount of checks remitted by the Association because of the findings mentioned under Procedures 1, 4(G), 5 and 15 (see finding (a) above).

* * * * *

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the reasonableness of rent payments and compliance with the provisions of the Ground Lease and Operating Agreement with the Los Angeles County Fair Association. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the County of Los Angeles and is not intended to be and should not be used by anyone other than those specified parties.

Vargay + Company LLP

Los Angeles, California
May 15, 2014

Attachment
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Los Angeles County Fair Association
Schedule I
Lease Calculation Schedule
Year ended December 31, 2007

| | <u>Total Revenue</u> | <u>Fair Revenue</u> | <u>Less Excluded Revenues</u> | <u>Revenue Subject to Lease</u> | <u>%</u> | <u>Fair County Lease</u> | <u>Non Fair Revenue</u> | <u>Less Excluded Revenues</u> | <u>Revenue Subject to Lease</u> | <u>%</u> | <u>Non-fair County Lease</u> | <u>Total County Lease</u> |
|--|----------------------|----------------------|-------------------------------|---------------------------------|----------|--------------------------|-------------------------|-------------------------------|---------------------------------|----------|------------------------------|---------------------------|
| Administration | \$ 1,075,605 | \$ 81,915 | \$ 8,750 | \$ 73,165 | 1.5% | \$ 1,097 | \$ 993,690 | \$ 925,196 | \$ 68,493 | 3.5% | \$ 2,397 | \$ 3,495 |
| Communications | 15 | - | - | - | 1.5% | - | 15 | - | 15 | 3.5% | 1 | 1 |
| Facilities | 204,254 | - | - | - | 1.5% | - | 204,254 | - | 204,254 | 3.5% | 7,149 | 7,149 |
| Parking | 7,325,092 | 3,788,811 | - | 3,788,811 | 1.5% | 56,832 | 3,536,281 | - | 3,536,281 | 3.5% | 123,770 | 180,602 |
| Trams | 104,838 | - | - | - | 1.5% | - | 104,838 | 103,538 | 1,300 | 3.5% | 46 | 46 |
| Admissions | 7,115,995 | 7,114,738 | - | 7,114,738 | 1.5% | 106,721 | 1,257 | - | 1,257 | 3.5% | 44 | 106,765 |
| Cred/Badge Center | 151,936 | - | - | - | 1.5% | - | 151,936 | - | 151,936 | 3.5% | 5,318 | 5,318 |
| Food & Beverage | 6,953,114 | 4,701,098 | - | 4,701,098 | 1.5% | 70,516 | 2,252,016 | - | 2,252,016 | 3.5% | 78,821 | 149,337 |
| Fairview Farms | 9,618 | 4,598 | - | 4,598 | 1.5% | 69 | 5,020 | - | 5,020 | 3.5% | 176 | 245 |
| Exhibits | 394,543 | 394,543 | 415 | 394,128 | 1.5% | 5,912 | - | - | - | 3.5% | - | 5,912 |
| Year Round Sales | 3,339,040 | - | - | - | 1.5% | - | 3,339,040 | 134,725 | 3,204,315 | 3.5% | 112,151 | 112,151 |
| Fair Sales | 6,164,777 | 6,163,777 | - | 6,163,777 | 1.5% | 92,457 | 1,000 | - | 1,000 | 3.5% | 35 | 92,492 |
| Advance Sales | 3,308,490 | 3,308,490 | - | 3,308,490 | 1.5% | 49,627 | - | - | - | 3.5% | - | 49,627 |
| Jumbotron | 2,500 | - | - | - | 1.5% | - | 2,500 | - | 2,500 | 3.5% | 88 | 88 |
| Freeway Sign | 211,490 | - | - | - | 1.5% | - | 211,490 | 211,490 | - | 3.5% | - | - |
| Sponsorship | 2,584,244 | 2,549,048 | 2,549,048 | - | 1.5% | - | 35,195 | - | 35,195 | 3.5% | 1,232 | 1,232 |
| Grandstand | 1,004,258 | 1,004,258 | - | 1,004,258 | 1.5% | 15,064 | - | - | - | 3.5% | - | 15,064 |
| Grounds Entertainment | 6,465 | 6,465 | - | 6,465 | 1.5% | 97 | - | - | - | 3.5% | - | 97 |
| Horse Racing | 4,359,531 | 4,359,531 | 284,060 | 4,075,471 | 1.5% | 61,132 | - | - | - | 3.5% | - | 61,132 |
| Inter-track Wagering | 2,449,199 | - | - | - | 1.5% | - | 2,449,199 | 487,958 | 1,961,242 | 3.5% | 68,643 | 68,643 |
| Horse Training | 2,851,383 | - | - | - | 1.5% | - | 2,851,383 | - | 2,851,383 | 3.5% | 99,798 | 99,798 |
| Horse Show | 209,122 | 69,834 | - | 69,834 | 1.5% | 1,048 | 139,288 | - | 139,288 | 3.5% | 4,875 | 5,923 |
| RV Parking | 2,405,690 | 277,116 | 138,558 | 138,558 | 1.5% | 2,078 | 2,128,573 | 1,064,287 | 1,064,287 | 3.5% | 37,250 | 39,328 |
| | <u>\$ 52,231,198</u> | <u>\$ 33,824,222</u> | <u>\$ 2,980,832</u> | <u>\$ 30,843,391</u> | | <u>\$ 462,651</u> | <u>\$ 18,406,976</u> | <u>\$ 2,927,193</u> | <u>\$ 15,479,783</u> | | <u>\$ 541,792</u> | <u>1,004,443</u> |
| Less payment on Apr. 30, 2008 - check no. 230582 | | | | | | | | | | | (1,003,211) | |
| Payable due County | | | | | | | | | | | <u>\$ 1,232</u> | ** |

** The Association did not include sponsorship revenues earned during non-fair events in the lease calculation, which resulted in a \$1,232 lease underpayment.

**Difference was due to the following:

- (a) The Association failed to exclude, from the administration revenues, the transient occupancy tax rebate of \$211,498 received from the City of Pomona, which resulted in a \$10,575 lease overpayment.
- (b) The Association did not include sponsorship revenues earned during non-fair events in the lease calculation, which resulted in a \$1,799 lease underpayment.

Attachment
Page 15 of 21
Los Angeles County Fair Association
Schedule III
Lease Calculation Schedule
Year ended December 31, 2009

| | <u>Total Revenue</u> | <u>Fair Revenue</u> | <u>Less Excluded Revenues</u> | <u>Net Revenue</u> | <u>%</u> | <u>Fair County Lease</u> | <u>Non Fair Revenue</u> | <u>Less Excluded Revenues</u> | <u>Net Revenue</u> | <u>%</u> | <u>Non-fair County Lease</u> | <u>Total County Lease</u> |
|-----------------------|----------------------|----------------------|-------------------------------|----------------------|----------|--------------------------|-------------------------|-------------------------------|----------------------|----------|--|---------------------------|
| Administration | \$ 4,292,900 | \$ 56,436 | \$ - | \$ 56,436 | 1.5% | \$ 847 | \$ 4,236,464 | \$ 4,132,874 | \$ 103,590 | 5% | \$ 5,179 | \$ 6,026 |
| Facilities | 77,129 | - | - | - | 1.5% | - | 77,129 | - | 77,129 | 5% | 3,856 | 3,856 |
| Parking | 6,795,716 | 3,708,266 | - | 3,708,266 | 1.5% | 55,624 | 3,087,450 | - | 3,087,450 | 5% | 154,372 | 209,996 |
| Trams | 60,042 | - | - | - | 1.5% | - | 60,042 | 60,042 | - | 5% | - | - |
| Admissions | 5,873,707 | 5,874,707 | - | 5,874,707 | 1.5% | 88,121 | (1,000) | - | (1,000) | 5% | (50) | 88,071 |
| Cred/Badge Center | 185,262 | - | - | - | 1.5% | - | 185,262 | - | 185,262 | 5% | 9,263 | 9,263 |
| Food & Beverage | 6,360,366 | 4,689,583 | - | 4,689,583 | 1.5% | 70,344 | 1,670,783 | - | 1,670,783 | 5% | 83,539 | 153,883 |
| Fairview Farms | 5,519 | 5,519 | - | 5,519 | 1.5% | 83 | - | - | - | 5% | - | 83 |
| Exhibits | 425,567 | 425,567 | - | 425,567 | 1.5% | 6,383 | - | - | - | 5% | - | 6,383 |
| Year Round Sales | 2,336,876 | - | - | - | 1.5% | - | 2,336,876 | - | 2,336,876 | 5% | 116,844 | 116,844 |
| Fair Sales | 5,059,807 | 5,057,307 | - | 5,057,307 | 1.5% | 75,860 | 2,500 | - | 2,500 | 5% | 125 | 75,985 |
| Advance Sales | 2,832,048 | 2,832,048 | - | 2,832,048 | 1.5% | 42,481 | - | - | - | 5% | - | 42,481 |
| Freeway Sign | 219,178 | - | - | - | 1.5% | - | 219,178 | 219,178 | - | 5% | - | - |
| Sponsorship | 2,347,589 | 2,313,980 | 2,313,980 | - | 1.5% | - | 33,609 | - | 33,609 | 5% | 1,681 | 1,681 |
| Grandstand | 1,121,703 | 1,121,703 | - | 1,121,703 | 1.5% | 16,826 | - | - | - | 5% | - | 16,826 |
| Grounds Entertainment | 3,003 | 3,003 | - | 3,003 | 1.5% | 45 | - | - | - | 5% | - | 45 |
| Horse Racing | 3,383,118 | 3,383,118 | 336,379 | 3,046,739 | 1.5% | 45,701 | - | - | - | 5% | - | 45,701 |
| Inter-track Wagering | 1,474,696 | - | - | - | 1.5% | - | 1,474,696 | 292,332 | 1,182,364 | 5% | 59,118 | 59,118 |
| Horse Training | 2,150,411 | - | - | - | 1.5% | - | 2,150,411 | - | 2,150,411 | 5% | 107,520 | 107,520 |
| Horse Show | 127,104 | 58,342 | - | 58,342 | 1.5% | 875 | 68,762 | - | 68,762 | 5% | 3,438 | 4,313 |
| RV Parking | 2,319,104 | 312,786 | 156,393 | 156,393 | 1.5% | 2,346 | 2,006,318 | 1,003,159 | 1,003,159 | 5% | 50,158 | 52,504 |
| | <u>\$ 47,450,843</u> | <u>\$ 29,842,365</u> | <u>\$ 2,806,752</u> | <u>\$ 27,035,613</u> | | <u>\$ 405,533</u> | <u>\$ 17,608,478</u> | <u>\$ 5,707,584</u> | <u>\$ 11,900,894</u> | | <u>\$ 595,045</u> | <u>1,000,579</u> |
| | | | | | | | | | | | Less rent credit | (800,000) |
| | | | | | | | | | | | Less payment on Apr. 30, 2010 - check no. 247657 | (198,898) |
| | | | | | | | | | | | Payable due County | <u>\$ 1,681</u> ** |

** The Association did not include sponsorship revenues earned during non-fair events in the lease calculation, which resulted in a \$1,681 lease underpayment.

Attachment
Page 16 of 21
Los Angeles County Fair Association
Schedule IV
Lease Calculation Schedule
Year ended December 31, 2010

| | Less Excluded | | | | | Fair | Non Fair | Less Excluded | | | Non-fair | Total County |
|-----------------------|----------------------|----------------------|---------------------|----------------------|----------|---------------------|----------------------|---------------------|----------------------|----------|---------------------|--------------|
| | <u>Total Revenue</u> | <u>Fair Revenue</u> | <u>Revenues</u> | <u>Net Revenue</u> | <u>%</u> | <u>County Lease</u> | <u>Revenue</u> | <u>Revenues</u> | <u>Net Revenue</u> | <u>%</u> | <u>County Lease</u> | <u>Lease</u> |
| Administration | \$ 1,759,468 | \$ 43,582 | \$ - | \$ 43,582 | 1.5% | \$ 654 | \$ 1,715,886 | \$ 1,435,270 | \$ 280,616 | 5% | \$ 14,031 | \$ 14,685 |
| Facilities | 76,212 | - | - | - | 1.5% | - | 76,212 | - | 76,212 | 5% | 3,811 | 3,811 |
| Parking | 6,301,028 | 3,564,845 | - | 3,564,845 | 1.5% | 53,473 | 2,736,183 | - | 2,736,183 | 5% | 136,809 | 190,282 |
| Trams | 4,400 | - | - | - | 1.5% | - | 4,400 | 4,400 | - | 5% | - | - |
| Admissions | 5,904,790 | 5,904,790 | - | 5,904,790 | 1.5% | 88,572 | - | - | - | 5% | - | 88,572 |
| Cred/Badge Center | 166,399 | - | - | - | 1.5% | - | 166,399 | - | 166,399 | 5% | 8,320 | 8,320 |
| Food & Beverage | 6,291,836 | 4,632,127 | - | 4,632,127 | 1.5% | 69,482 | 1,659,709 | - | 1,659,709 | 5% | 82,985 | 152,467 |
| Exhibits | 406,550 | 406,550 | - | 406,550 | 1.5% | 6,098 | - | - | - | 5% | - | 6,098 |
| Year Round Sales | 2,340,778 | - | - | - | 1.5% | - | 2,340,778 | - | 2,340,778 | 5% | 117,039 | 117,039 |
| Fair Sales | 4,577,640 | 4,576,940 | - | 4,576,940 | 1.5% | 68,654 | 700 | - | 700 | 5% | 35 | 68,689 |
| Advance Sales | 3,449,608 | 3,440,382 | - | 3,440,382 | 1.5% | 51,606 | 9,226 | - | 9,226 | 5% | 461 | 52,067 |
| Freeway Sign | 174,227 | - | - | - | 1.5% | - | 174,227 | 174,227 | - | 5% | - | - |
| Sponsorship | 2,163,400 | 2,125,879 | 2,125,879 | - | 1.5% | - | 37,521 | - | 37,521 | 5% | 1,876 | 1,876 |
| Grandstand | 1,221,757 | 1,221,757 | - | 1,221,757 | 1.5% | 18,326 | - | - | - | 5% | - | 18,326 |
| Grounds Entertainment | 2,379 | 2,379 | - | 2,379 | 1.5% | 36 | - | - | - | 5% | - | 36 |
| Horse Racing | 3,072,287 | 3,072,287 | 330,104 | 2,742,183 | 1.5% | 41,133 | - | - | - | 5% | - | 41,133 |
| Inter-track Wagering | 1,587,237 | - | - | - | 1.5% | - | 1,587,237 | 435,151 | 1,152,085 | 5% | 57,604 | 57,604 |
| Horse Training | 1,343,786 | - | - | - | 1.5% | - | 1,343,786 | - | 1,343,786 | 5% | 67,189 | 67,189 |
| Horse Show | 106,645 | 57,024 | - | 57,024 | 1.5% | 855 | 49,621 | - | 49,621 | 5% | 2,481 | 3,336 |
| RV Parking | 2,084,238 | 226,519 | 113,260 | 113,260 | 1.5% | 1,699 | 1,857,719 | 928,859 | 928,859 | 5% | 46,443 | 48,142 |
| | <u>\$ 43,034,663</u> | <u>\$ 29,275,060</u> | <u>\$ 2,569,243</u> | <u>\$ 26,705,817</u> | | <u>\$ 400,587</u> | <u>\$ 13,759,603</u> | <u>\$ 2,977,908</u> | <u>\$ 10,781,695</u> | | <u>\$ 539,085</u> | 939,672 |
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**)Difference was due to the following:

- (a) The Association did not include sponsorship revenues earned during non-fair events in the lease calculation, which resulted in a \$1,930 lease underpayment.
- (b) The Association mistakenly classified \$260,739 of grandstand concert revenues under non-fair events instead of fair events, which resulted in a \$9,126 lease overpayment.

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total revenues per audited financial statements | \$ 73,963,739 | \$ 71,626,385 | \$ 59,989,282 | \$ 59,769,877 | \$ 61,336,643 |
| Add: Intercompany eliminations | | | | | |
| Barretts revenues | 445,368 | 322,498 | 263,184 | 322,790 | 403,898 |
| Cornucopia revenues | 2,284,966 | 2,438,387 | 2,346,237 | 2,479,827 | 2,587,235 |
| Grant revenues | 869,826 | 938,554 | 4,077,383 | 1,350,000 | 1,150,000 |
| Less: | | | | | |
| Hotel revenues | (13,971,728) | (13,467,645) | (9,868,186) | (10,336,884) | (12,012,780) |
| Barretts revenues | (4,224,132) | (3,116,752) | (1,895,598) | (1,869,115) | (2,023,893) |
| Cornucopia revenues | (6,939,166) | (7,669,963) | (7,384,532) | (7,954,681) | (8,658,064) |
| Fairplex Equine Sales revenues | (197,677) | (136,243) | (76,928) | (75,605) | (63,044) |
| Event Production Solutions revenues | - | - | - | (479,322) | (701,404) |
| Fairplex RV and Boat Storage revenues | - | - | - | (172,224) | (271,442) |
| Grant revenues not included on schedule | - | (567,486) | - | - | - |
| Round off difference | <u>2</u> | <u>(2)</u> | <u>1</u> | <u>-</u> | <u>-</u> |
| Gross revenues per Lease Calculation Schedule | <u>\$ 52,231,198</u> | <u>\$ 50,367,734</u> | <u>\$ 47,450,843</u> | <u>\$ 43,034,663</u> | <u>\$ 41,747,149</u> |

| Revenue Description | Current Year | Previous Year | Variance | | Explanation |
|--|-----------------|------------------|-------------|------|--|
| | | | Amount | % | |
| <u>2007 vs 2006</u> | | | | | |
| No difference in excess of \$100,000 and 15% | | | | | |
| <u>2008 vs 2007</u> | | | | | |
| <u>Fair Events</u> | | | | | |
| Grandstand | \$ 1,161,063 | \$ 1,004,258 | \$ 156,805 | 16% | The same number of concert days (15) but with better concert attendance and slight increase in ticket prices (prices based upon cost of acts and market) in 2008. |
| <u>Non-fair Events</u> | | | | | |
| Inter-track wagering | 1,596,846 | 1,961,242 | (364,396) | -19% | Industry-wide decline in bets. |
| <u>2009 vs 2008</u> | | | | | |
| <u>Fair Events</u> | | | | | |
| Retail sales | 5,057,307 | 5,939,202 | (881,895) | -15% | Lost spaces in the pavilion area in preparation for the new Fair layout, as well as spaces in Building 8 for exhibits. |
| Advance sales | 2,832,048 | 3,622,964 | (790,916) | -22% | Consignment sales were significantly lower in 2009 than in 2008, especially from the AT&T outlets. |
| Horse racing | 3,046,739 | 3,614,169 | (567,430) | -16% | Decline in attendance and betting industry-wide both on-site and off-site due to economic downturn. |
| <u>Non-fair Events</u> | | | | | |
| Food & beverage | 1,670,783 | 2,086,630 | (415,847) | -20% | There were more events conducted in 2008 (from 261 in 2008 to 210 in 2009). The NHRA event in 2009 was rained out. |
| Retail sales | 2,336,876 | 3,559,906 | (1,223,030) | -34% | There were more events conducted in 2008 (from 261 in 2008 to 210 in 2009). The NHRA event in 2009 was rained out. |
| Inter-track wagering | 1,182,364 | 1,596,846 | (414,482) | -26% | Changed satellite wagering facility. Admission and parking fees were made free for bettors. Admission and parking fees earned from bettors were recorded under this revenue category. Continued decline in attendance and betting both on-site and off-site. |
| Horse training | 2,150,411 | 2,711,686 | (561,275) | -21% | The number of months of horse training was reduced from 11 months in 2008 to nine months in 2009. |

| Revenue Description | Current Year | Previous Year | Variance | | Explanation |
|------------------------|-----------------|------------------|-------------|-------|---|
| | | | Amount | % | |
| <u>2010 vs 2009</u> | | | | | |
| <u>Fair Events</u> | | | | | |
| Advance sales | \$ 3,440,382 | \$ 2,832,048 | \$ 608,334 | 21% | Replaced ticket sales partner from AT&T to Ralph's Grocery which generated more ticket sales. |
| <u>Non-fair Events</u> | | | | | |
| Administration | 280,616 | 103,590 | 177,026 | 171% | 2010 included RV and boat storage revenues of \$100,000, EPS rent of \$48,000 and increase in ATM commissions. |
| Horse training | 1,343,786 | 2,150,411 | (806,625) | -38% | The number of months of horse training was reduced from nine months in 2009 to six months in 2010. |
| <u>2011 vs 2010</u> | | | | | |
| <u>Fair Events</u> | | | | | |
| Admissions | 4,912,952 | 5,904,790 | (991,838) | -17% | Introduced discount options for advance sales to increase Fair attendance. This offsets increase in advance sales. |
| Advance sales | 4,365,268 | 3,440,382 | 924,886 | 27% | Introduced discount options for advance sales to increase Fair attendance. This offsets decrease in admissions. |
| Grandstand | 1,482,495 | 1,221,757 | 260,738 | 21% | Increase was due to higher concert attendance by almost 4,000 and increase in concert ticket price from \$13.18 to \$15.36. |
| Horse racing | 2,287,160 | 2,742,183 | (455,023) | -17% | Decline in attendance and betting industry-wide both on-site and off-site. |
| <u>Non-fair Events</u> | | | | | |
| Horse training | - | 1,343,786 | (1,343,786) | -100% | No horse training in 2011. The racing industry eliminated Fairplex as an offsite stabling facility in 2011 because (1) there were not enough horses to keep more than one offsite facility open, and (2) the Southern California Off-Track Wagering Inc stabling fund barely had enough funds to support one facility due to decline in wagering. |

NOTES:

1. Explanation for variances was limited to changes in excess of \$100,000 and 15% for each source of revenue.
2. Above explanations were provided by the Association.

| Lease Year | Estimated Total Number of Viewers | Free Standing Unit @ 50% (a) | Blue Gate Entrance @ 25% (a) | Tunnels 1 and 2 @ 25% (a) | Total | Interim Revenue Lease Rate to County | County Lease |
|-------------------------------|---|---------------------------------------|---------------------------------------|---------------------------------|-----------------|---|-----------------|
| 2007 | 339,696 | 169,848 | 84,924 | 84,924 | | | |
| Cost Per Viewer (b) | | \$ 0.015 | \$ 0.020 | \$ 0.010 | | | |
| Estimated Advertising Revenue | | <u>\$ 2,548</u> | <u>\$ 1,698</u> | <u>\$ 849</u> | \$ 5,095 | 3.50% | \$ 178 |
| 2008 | 301,822 | 150,911 | 75,456 | 75,456 | | | |
| Cost Per Viewer (b) | | \$ 0.015 | \$ 0.020 | \$ 0.010 | | | |
| Estimated Advertising Revenue | | <u>\$ 2,264</u> | <u>\$ 1,509</u> | <u>\$ 755</u> | 4,527 | 5.00% | 226 |
| 2009 | 280,608 | 140,304 | 70,152 | 70,152 | | | |
| Cost Per Viewer (b) | | \$ 0.015 | \$ 0.020 | \$ 0.010 | | | |
| Estimated Advertising Revenue | | <u>\$ 2,105</u> | <u>\$ 1,403</u> | <u>\$ 702</u> | 4,209 | 5.00% | 211 |
| 2010 | 268,044 | 134,022 | 67,011 | 67,011 | | | |
| Cost Per Viewer (b) | | \$ 0.015 | \$ 0.020 | \$ 0.010 | | | |
| Estimated Advertising Revenue | | <u>\$ 2,010</u> | <u>\$ 1,340</u> | <u>\$ 670</u> | 4,021 | 5.00% | 201 |
| 2011 | 239,471 | 119,736 | 59,868 | 59,868 | | | |
| Cost Per Viewer (b) | | \$ 0.015 | \$ 0.020 | \$ 0.010 | | | |
| Estimated Advertising Revenue | | <u>\$ 1,796</u> | <u>\$ 1,197</u> | <u>\$ 599</u> | 3,592 | 5.00% | 180 |
| TOTAL | <u>1,429,641</u> | <u>\$ 10,722</u> | <u>\$ 7,148</u> | <u>\$ 3,574</u> | <u>\$21,445</u> | | <u>\$ 996</u> |

(a) Allocation of estimated number of viewers is based on estimate provided by the Association's advertising agency, IW Group, Inc.

(b) IW Group, Inc. indicated that the estimated advertising costs per 1,000 viewers are: \$15 for the Free Standing Unit, \$20 for the Blue Gate Entrance Unit, and \$10 for the Tunnel Units. Advertising cost was recalculated to determine the cost per viewer.